



STATEMENT TO AUSTRALIAN SECURITIES EXCHANGE – January 31, 2023

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## **Flight Centre to acquire Scott Dunn funded by a A\$180 million equity raising**

### **Highlights**

- FLT announces the acquisition of Scott Dunn, a leading UK-based luxury travel brand specialising in tailor-made luxury holidays, for an enterprise value of £121 million (A\$211 million<sup>1</sup>)
- Scott Dunn provides an entry point into the UK and US luxury travel market through a well-regarded, scalable brand which will be supported by FLT's global platform
- Mid-teens percentage EPS accretive in the 12 months ending 30 June 2023<sup>2,3,4</sup> on a pro-forma basis prior to the realisation of synergies and the impact of one-off transaction costs
- Funded via a fully underwritten A\$180 million institutional placement and A\$40 million of existing cash on FLT's balance sheet, prior to receipt of any funds raised under the share purchase plan (outlined below)
- Eligible existing shareholders will be offered the ability to participate in a non-underwritten share purchase plan to raise up to a further A\$40 million
- FLT expects preliminary unaudited 1H23 results<sup>5</sup> of group TTV of A\$9.9 billion, group revenue of A\$1.0 billion and group underlying EBITDA of A\$95 million
- Guidance of A\$250 – 280 million group underlying EBITDA for FY23 prior to the benefits of the Acquisition

<sup>1</sup> Converted to AUD based on an AUD : GBP exchange rate of 0.57. Post-IFRS 16 basis and includes lease liabilities of £0.8 million (A\$1.4 million) as at 31 December 2022. Scott Dunn's restricted cash will be transferred to Flight Centre upon completion of the Acquisition (£13 million (A\$23 million as at 31 December 2022)). Restricted cash was not treated as cash for the purpose of calculating EV.

<sup>2</sup> Post-IFRS 16. Scott Dunn historical financials converted from GBP to AUD based on average monthly exchange rate over the period shown. Forecast financials converted from GBP to AUD at an exchange rate of 0.57.

<sup>3</sup> EPS accretion for a full 12 months (includes six months of actuals and six months of forecast) and is before amortisation of identifiable intangibles that will be recognised as a result of the Acquisition. Excludes any impact of shares that may be issued under the SPP.

<sup>4</sup> Scott Dunn financials have been adjusted for certain adjustments, normalisations identified during Flight Centre's limited due diligence, accounting principles consistent with those that will be applied under Flight Centre ownership. Refer to paragraph 3.11 of the 'Key risks' on slides 35 to 56 of the Investor Presentation for further information. For Scott Dunn, FY22A (Oct Y/E) EBITDA includes customary year end adjustments relating to holiday pay provisions and staff travel funds which reduced EBITDA by approximately £15,000. This year end adjustment has been applied to the 12 months to 31 December 2022 and the 12 months to 30 June 2023 as an approximate estimate of the accrual in these periods. Unrealised FX gains / losses have been excluded from the financials presented.

<sup>5</sup> Figures remain subject to finalisation, auditor review, Board review and sign-off, and may change. Such changes may be material.

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FLIGHT Centre Travel Group (**FLT**) today announced it has entered into a binding agreement to acquire 100% of United Kingdom-based luxury leisure travel business Luxury Travel Holdings Limited (**Scott Dunn**) for an enterprise value of £121 million (A\$211 million<sup>1</sup>) (**Acquisition**), representing 9.6x<sup>2</sup> Scott Dunn's EBITDA for the 12 months ending 30 June 2023.<sup>4,6,7</sup>

For Flight Centre, for the 12 months ending 30 June 2023<sup>6</sup>, the Transaction is expected to be mid-teens percentage EPS accretive<sup>2,3,4</sup> pro-forma for a full year of ownership prior to the realisation of synergies and the impact of one-off transaction cost. The Acquisition is anticipated to generate modest net corporate cost and supplier synergies.

The Acquisition will be funded via a fully underwritten A\$180 million institutional placement (**Placement**) and A\$40 million of existing cash on FLT's balance sheet (together with the Acquisition, the **Transaction**), prior to receipt of any funds raised under the share purchase plan. Eligible shareholders will be offered the ability to participate in a non-underwritten share purchase plan to raise up to a further A\$40 million (**SPP**, together with the Placement, the **Offer**).

As at 31 December 2022, adjusted to include the impact of the Acquisition, Flight Centre is expected to have pro-forma net cash of A\$453 million<sup>8,9</sup> excluding convertible bonds (which have a face value of A\$800 million) and total cash and investments of A\$1,113 million.<sup>8,10</sup> As previously disclosed, certain covenants under Flight Centre's existing bank facilities are expected to re-commence on 30 June 2023. Flight Centre expects to comply with all covenants by that date.

Completion of the Acquisition is not subject to any conditions and is expected to take place prior to the end of February.

### **About Scott Dunn**

Scott Dunn is a multi-award winning, guest centric brand specialising in tailor-made, luxury holiday packages. Scott Dunn is a high margin leisure business in the resilient luxury travel segment with large average booking values and a strong level of repeat bookings.

<sup>6</sup> Scott Dunn has a 31 October year end. The 30 June 2023 financial information presented represents unaudited six months of actual results from 1 July 2022 to 31 December 2022 and six months of forecasts from 1 January 2023 to 30 June 2023.

<sup>7</sup> Multiple calculated by using Enterprise Value and EBITDA in GBP.

<sup>8</sup> Flight Centre unaudited balance sheet as at 31 December 2022. Scott Dunn unaudited balance sheet as at 31 December 2022. Includes proceeds from the Placement, Acquisition consideration and transaction costs. Excludes proceeds from SPP.

<sup>9</sup> Net cash / (debt) represents cash and cash equivalents (excluding Flight Centre restricted cash and Scott Dunn restricted cash) plus Flight Centre financial investments less total borrowings. Excludes Flight Centre lease liabilities of A\$266 million and convertible bonds (A\$800 million face value) and Scott Dunn lease liabilities of £0.8 million (A\$1.4 million).

<sup>10</sup> Flight Centre cash and investments includes A\$59 million of financial investments and A\$274 million of restricted cash, Scott Dunn cash and cash equivalents includes of £13 million (A\$23 million) restricted cash.

Scott Dunn is recognised as a premium brand in luxury travel, including as winner of the Conde Nast Traveller Readers' Choice Award every year since 2013. It is a consultant-led business with more than 200 full-time equivalent employees providing high levels of personal service and destination expertise.

Scott Dunn's two main established markets are the UK and the US (representing 74% and 21% of TTV for the 12 months to 31 October 2022, respectively) with a small presence in Asia (representing 5% of TTV for the 12 months to 31 October 2022).<sup>11</sup>

In the 12 months ended 31 December 2022, Scott Dunn generated TTV of £112 million (A\$199 million) and revenue of £29 million (A\$51 million).<sup>11,12</sup>

Scott Dunn's existing management team has been retained and will continue to oversee the business under FLT's ownership, ensuring a business-as-usual approach is maintained.

### **Strategic rationale**

The Acquisition will allow FLT to diversify its northern hemisphere leisure footprint aligned with the company's strategic objectives of expanding in its core markets and developing a global luxury collection of travel brands. In particular, it is expected that the Acquisition will:

- provide FLT an entry point into the UK and US luxury market to complement the existing Global Leisure offering in a segment of the market and in geographies where Flight Centre is underrepresented;
- expand FLT's presence in the attractive, high margin luxury segment, which has been historically resilient through periods of macro-economic weakness, and fast-track the company's plan to create a luxury collection of travel brands, which will now include the Travel Associates brand in Australia and New Zealand and Scott Dunn;
- add Scott Dunn's high value customer base to the Flight Centre portfolio, characterised by high average booking values and strong guest retention with significant repeat revenue;
- through Scott Dunn's scalable brand, provide capabilities to accelerate growth of the global leisure business including by utilising FLT's global platform;
- deliver attractive financial returns, with the Acquisition expected to be mid-teens percentage EPS accretive in the 12 months ending June 2023, on a pro forma basis prior to the realisation of synergies and the impact of one-off transaction costs;<sup>13</sup> and

<sup>11</sup> Scott Dunn financials have been adjusted for certain adjustments, normalisations identified during Flight Centre's limited due diligence, accounting principles consistent with those that will be applied under Flight Centre ownership. Refer to paragraph 3.11 of the 'Key risks' on slides 35 to 56 of the Investor Presentation for further information.

<sup>12</sup> Scott Dunn historical financials converted from GBP to AUD based on average monthly exchange rate over the period shown.

<sup>13</sup> Post-IFRS 16. Scott Dunn historical financials converted from GBP to AUD based on average monthly exchange rate over the period shown. Forecast financials converted from GBP to AUD at an exchange rate of 0.57. EPS accretion for a full 12 months (includes six months of actuals and six months of forecast) and is before amortisation of identifiable intangibles that will be recognised as a result of the Acquisition. Excludes any impact of shares that may be issued under the SPP.

- provide a high-quality management team and a culturally aligned organisation committed to continued growth plans.

FLT Managing Director Graham Turner said: “We are very excited to welcome the Scott Dunn team to Flight Centre. The business has a very strong and experienced management team, headed by CEO Sonia Davies, who have built a global leader in the luxury travel segment, and will continue to run Scott Dunn as a separate business unit.

“Scott Dunn provides us with the opportunity to grow our leisure presence in the large UK and US luxury markets in an attractive and growing segment, while also fast-tracking our objective of developing a global luxury collection of travel brands. High-net-worth, time poor customers highly value the services of Scott Dunn as shown by their customers’ loyalty.

“The business ticks the main boxes that we have defined to play in the luxury segment: exceptional service/high quality, an authentic brand with desired benefits, it has a prestigious image, commands a premium price and is capable of inspiring deep connections with customers.

“FLT is well-positioned to help Scott Dunn achieve its strategic objectives and unlock a new era of growth.”

Scott Dunn’s Chief Executive Officer, Sonia Davies, said: “We are proud of how strong the Scott Dunn brand has become in the UK and now in the US and Singapore and of our commitments to being a responsible business.

“We’re excited now to continue our journey and accelerate our growth with the Flight Centre Travel Group.”

### **Acquisition funding**

The Acquisition is funded by the Placement, being an equity raising of A\$180 million, via a fully underwritten institutional placement to eligible investors<sup>14</sup> and A\$40 million of existing cash on FLT’s balance sheet, prior to receipt of any funds raised under the SPP, which aims to raise up to A\$40 million.

The Placement will be conducted at A\$14.60 per share (**Placement Price**), which represents a 7.8% discount to the last traded price of A\$15.83 on Monday, 30 January 2023.

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<sup>14</sup> FLT has entered into a conditional underwriting agreement pursuant to which the Underwriters have agreed to jointly underwrite the Placement (but not the SPP). The underwriting agreement is subject to customary conditions precedent and termination events – see summary on slides 49 and 50 of the Investor Presentation under the heading “Underwriting risk” for further information. If the conditions precedent are not satisfied (or waived) or the underwriting agreement is terminated, FLT would need to seek alternative sources of funding in order to complete the Acquisition.

Under the Placement, approximately 12.3 million new shares will be issued, representing approximately 6.2% of existing ordinary shares on issue. New shares issued under the Placement will rank equally with existing ordinary shares on issue.

Eligible Flight Centre shareholders with a registered address in Australia or New Zealand as at the Record Date of 7:00pm Sydney, Australia time on 30 January 2023 will have the opportunity to apply for up to A\$30,000 worth of Flight Centre shares pursuant to the SPP.<sup>15</sup> Shares under the SPP will be offered at the lower of:

- A\$14.60 per share, the same as the Placement Price; and
- a 2.0% discount to the volume weighted average price of Flight Centre shares traded on the 5 trading days up to, and including, the SPP closing date.

The SPP is intended to raise up to A\$40 million, with the ability to accept oversubscriptions, subject to the ASX Listing Rules. Flight Centre reserves the right (in its absolute discretion) to scale back applications under the SPP. New shares issued under the SPP will rank equally with existing ordinary shares on issue.

An indicative timetable of key dates in relation to the equity raising is set out below:<sup>16</sup>

<b>Event</b>	<b>Sydney time</b>
<b>Institutional Placement</b>	
Trading halt and announcement of Offer	Tuesday, 31 January 2023
Trading halt lifted and announcement of completion of Placement	Wednesday, 1 February 2023
Settlement of new shares to be issued under the Placement	Friday, 3 February 2023
Allotment of new shares under the Placement	Monday, 6 February 2023
<b>Share Purchase Plan</b>	
Record Date for eligibility to participate in SPP	Monday, 30 January 2023
Dispatch SPP offer documents and SPP offer open date	Thursday, 9 February 2023
SPP closing date	Monday, 6 March 2023
Announcement of SPP participation and results	Monday, 13 March 2023
Allotment of new shares under the SPP	Tuesday, 14 March 2023

<sup>15</sup> The securities to be offered and sold in the SPP may not be offered or sold, directly or indirectly, in the United States or to any person that is acting for the account or benefit of a person in the United States (to the extent that such person is acting for the account or benefit of a person in the United States).

<sup>16</sup> All dates and times are indicative and Flight Centre reserves the right to amend any or all of these events, dates and times subject to the Corporations Act 2001 (Cth), ASX Listing Rules and other applicable laws. All times and dates are in reference to Sydney, Australia time.

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## FLT preliminary, unaudited 1H23 financial results<sup>17</sup>

FLT today also announced its preliminary, unaudited 1H23 financial results.

A\$m	1H23	1H22A	1H19A
Corporate TTV	5,040	2,048	4,203
Leisure TTV	4,389	811	6,186
Other TTV	456	404	766
<b>Group TTV</b>	<b>9,886</b>	<b>3,263</b>	<b>11,155</b>
<b>Group revenue</b>	<b>1,002</b>	<b>316</b>	<b>1,462</b>
<b>Group underlying EBITDA</b>	<b>95</b>	<b>(184)</b>	<b>na<sup>18</sup></b>
<i>Revenue / TTV margin</i>	<i>10.1%</i>	<i>9.7%</i>	<i>13.1%</i>
<i>Underlying EBITDA / revenue margin</i>	<i>9.5%</i>	<i>nmf</i>	<i>na<sup>18</sup></i>
<i>Underlying cost / TTV margin<sup>19</sup></i>	<i>9.9%</i>	<i>18.9%</i>	<i>11.1%</i>

### Group

- Underlying EBITDA of A\$95 million outperforming initial guidance range of A\$70 - 90 million, driven by core trading performance that is expected to continue to deliver strong growth in 2H23
- Group TTV for the half has more than tripled compared to the previous corresponding period (**pcp**) and was only marginally behind the FY22 full year total
- Group revenue margin above pcp, tracking as expected across both Corporate and Leisure. Further recovery expected as conditions normalise and as strategic initiatives gain traction
- 1H23 underlying cost margin of 10%<sup>19</sup> of TTV represents an all-time low which helped offset lower revenue margins
- 39% of 1H23 incremental revenue converted to underlying EBITDA compared to pcp with a long-term target of 40%+

### Corporate

- Outpacing industry recovery with record 1H23 TTV and on track to deliver record FY23 TTV
- Higher-than-normal airfare pricing contributing to TTV growth but continuing to adversely impact revenue margin in segments that earn fixed dollar fees. Corporate revenue margin tracking at 9% globally

<sup>17</sup> 1H23 financials are estimates only, based on preliminary, unaudited financial results for the half year ended 31 December 2022. Remains subject to finalisation, auditor review, Board review and sign-off, and may change. Such changes may be material.

<sup>18</sup> 1H19A excluded on the basis it is pre-IRS 16 statutory EBITDA and not comparable to post-IFRS 16 underlying EBITDA.

<sup>19</sup> Excludes cost of touring and hotels.

- Monthly Corporate EBITDA continued to track in line with the trading result provided at the AGM during November prior to the impacts of normal seasonality being seen during December
- Continuing to gain market share through high customer retention rates and large volume of new account wins on both SME and TMS sectors
- Recent large contract wins continuing to be onboarded, but not yet fully run-rated in 1H23

#### Leisure

- Strong recovery in TTV compared to 1H22 as normal travel patterns resume, with Leisure TTV generated by a diverse suite of models and brands that are geared towards delivering scalable growth
- As flagged previously, a shift in business mix is impacting overall Leisure revenue margins. Growth in lower revenue and cost margin businesses such as Travel Money, online and Independents in 1H23 resulted in a blended Leisure revenue margin of 10.7%
- Flight Centre brand revenue margins continue to recover as expected
- Monthly Leisure EBITDA improved during November and December compared to the average run-rate for the first four months of the financial year
- Leisure consultant productivity remains much higher than pre-COVID periods and is expected to remain above pre-COVID productivity levels

#### Balance sheet (prior to the impacts of the Acquisition)

- Strong 1H23 cash position, including A\$1,128 million in cash and investments.
  - Includes A\$59 million of financial investments and A\$274 million of restricted cash<sup>20,21</sup>
- As at 31 December 2022, net cash position of A\$489 million excluding convertible bonds (which have a face value of A\$800 million)<sup>22</sup>
- Modest operating cash outflow of approximately A\$65 million recorded, in line with normal seasonality and traditional cash flow patterns. Flight Centre typically accumulates cash during peak booking seasons in the second half of each fiscal year and pays suppliers after peak travel seasons during the first half of the following fiscal year, thereby typically recording first half operating cash outflows, followed by second half operating cash inflows

<sup>20</sup> 1H23 financials are estimates only, based on preliminary, unaudited financial results for the half year ended 31 December 2022. Remains subject to finalisation, audit and Board review and sign-off and may change. Such changes may be material.

<sup>21</sup> Restricted cash relates to cash held within legal entities of the Group for payment to product and service suppliers or cash held for supplier guarantees. Restricted cash includes monies paid to the Group by customers for payment to local International Air Transport Association (IATA) for ticketed travel arrangements.

<sup>22</sup> Net cash / (debt) represents total cash (excluding restricted cash of A\$274 million) plus Flight Centre financial investments of A\$59 million less total borrowings. Excludes lease liabilities of A\$266 million and convertible bonds (A\$800 million face value).

- Revenue margin improvement includes recovery in override revenue, which will be converted to cash in 2H23 under normal contract terms
- Capital expenditure of approximately A\$40 million

## Outlook

- Targeting A\$250 – 280 million underlying EBITDA for FY23 prior to the benefits of the Acquisition<sup>23</sup>
  - The mid-point implies a 35% / 65% profit split between 1H and 2H respectively, in line with the company's normal seasonality
- 2H23 recovery is expected to be driven by traditional seasonality, further top-line growth, supply chain stability and operational enhancements which are expected to improve margins
- Corporate business set to benefit from new accounts won and onboarded
- Revenue margin expected to increase from current levels, but set to remain below pre-COVID highs because of ongoing and planned business mix changes, cyclical factors and lower supplier margins in some countries and sectors (such as air)
- Targeting 2% PBT margin by 2025, driven by gradual increases in revenue margin as conditions normalise and further cost margin improvements
- Unemployment rates tracking well below historical averages in key markets – high employment levels a potential short-term tailwind in leisure travel sector
- Continuing to monitor macro-economic conditions. No evidence of any material impacts on demand during the early post-COVID recovery phase. TTV continuing to track well above prior period, but below pre-COVID highs at group level, as expected

FLT will release full first half accounts on February 22, 2023.

## Further information

Further details of the Acquisition and equity raising are set out in the investor presentation also provided to ASX today (**Investor Presentation**). The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the Placement and should be read in conjunction with this release.

Full details of the SPP will be set out in the SPP offer booklet, which is expected to be released to ASX and made available to eligible shareholders on or around 9 February 2023.

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<sup>23</sup> This announcement contains forward looking statements or opinions. Please refer to the Disclaimer and Important Notice with respect to such statements starting on slide 2 of the Investor Presentation. Scott Dunn financials have been adjusted for certain adjustments, normalisations identified during Flight Centre's limited due diligence, accounting principles consistent with those that will be applied under Flight Centre ownership and estimated IFRS 16 adjustments to be presented on a post IFRS 16 basis. Refer to paragraph 3.11 of the 'Key risks' on slides 35 to 56 of the Investor Presentation for further information.



Macquarie Capital (Australia) Limited and UBS Securities Australia Limited are Joint Lead Managers, Bookrunners and Underwriters to the Offer.

### **Investor conference call**

FLT Managing Director Graham Turner, FLT Global CFO Adam Campbell and FLT Global Leisure CEO James Kavanagh will host a conference call at 10.30am (Sydney time) this morning in relation to this announcement. The presentation has been lodged with ASX separately to this announcement.

Participants will need to pre-register for the call by following this link <https://s1.conf.com/diamondpass/10027980-hd93u5.html>.

ENDS: Media & investor enquiries to [haydn\\_long@flightcentre.com](mailto:haydn_long@flightcentre.com), + 61 418 750 454

FLT's Board of Directors has authorised this announcement

### **Not for distribution or release in the United States**

This announcement may not be distributed or released in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States or any other jurisdiction in which such an offer would be unlawful. The securities to be offered and sold in the placement and the SPP have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the Securities Act), or the securities laws of any state or other jurisdiction of the United States. Accordingly, the new securities may not be offered or sold, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the Securities Act and any other applicable securities laws of any state or other jurisdiction of the United States. In addition, the securities to be offered and sold under the SPP will only be offered and sold to eligible securityholders in Australia and New Zealand in "offshore transactions" (as defined in Regulation S under the Securities Act) in reliance on Regulation S under the Securities Act.

### **Financial data and rounding**

The pro forma financial information included in this announcement does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the U.S. Securities and Exchange Commission, and such information does not purport to comply with Article 3-05 of Regulation S-X.